

Senate Engrossed

**FILED**

**JANICE K. BREWER  
SECRETARY OF STATE**

State of Arizona  
Senate  
Forty-seventh Legislature  
Second Regular Session  
2006

CHAPTER 86

# **SENATE BILL 1222**

AN ACT

AMENDING SECTIONS 23-563, 23-565, 23-567 AND 23-568, ARIZONA REVISED  
STATUTES; RELATING TO PROFESSIONAL EMPLOYER ORGANIZATIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 23-563, Arizona Revised Statutes, is amended to  
3 read:

4 23-563. Registration requirements; confidentiality

5 A. Every professional employer organization that provides professional  
6 employer services in this state shall register with the secretary of state.  
7 The secretary of state shall maintain a list of all registrants under this  
8 section. The secretary of state may prescribe forms necessary for the  
9 administration of this section.

10 B. Every professional employer organization that registers under this  
11 section shall provide the secretary of state the following:

12 1. The name or names under which the professional employer  
13 organization conducts business.

14 2. The address of the principal place of business of the professional  
15 employer organization and the address of each office that the professional  
16 employer organization maintains in this state.

17 3. The professional employer organization's taxpayer or employer  
18 identification number.

19 4. A list by state of each name under which the professional employer  
20 organization has operated in the preceding five years, including any  
21 alternative names, names of predecessors and, if known, names of successor  
22 business entities.

23 5. A statement of ownership that includes the names and business  
24 experience of every person who owns or controls twenty-five per cent or more  
25 of the equity interest of the professional employer organization.

26 6. A statement of management that includes the names and business  
27 experience of any person who serves as president or chief executive officer  
28 of the professional employer organization or any other person who has the  
29 authority to act as a senior executive officer of the professional employer  
30 organization. THE STATEMENT UNDER THIS PARAGRAPH SHALL ALSO INCLUDE WHETHER  
31 ANY PERSON SERVING AS MANAGEMENT HAS BEEN CONVICTED IN THE PRECEDING TEN  
32 YEARS OF A FELONY THAT HAS A REASONABLE RELATIONSHIP TO THE PROFESSIONAL  
33 EMPLOYER ORGANIZATION INDUSTRY, INCLUDING CRIMES INVOLVING ACCOUNTING OR TAX  
34 VIOLATIONS, DISHONESTY, FRAUD, MISREPRESENTATION, EMBEZZLEMENT, THEFT,  
35 FORGERY OR PERJURY.

36 7. A financial statement that sets forth the financial conditions of  
37 the professional employer organization, that is prepared with generally  
38 accepted accounting principles and that is compiled, reviewed or audited by  
39 an independent certified public accountant. The financial statement shall be  
40 dated no earlier than one hundred eighty days before the date on which the  
41 financial statement is filed with the secretary of state. A professional  
42 employer organization may submit compiled, reviewed or audited financial  
43 statements.

44 8. A statement by a certified professional accountant that the  
45 applicant is current with obligations that relate to payroll, payroll-related

1 taxes, workers' compensation insurance premiums for covered employees and  
2 employee benefits for the previous four calendar quarters.

3 9. A certification that is signed by the chief executive officer of  
4 the professional employer organization and that states the submitted  
5 financial statement is a true and accurate representation of the financial  
6 status of the professional employer organization as of the date the financial  
7 statement was prepared.

8 C. Except for proper administrative purposes, all records, reports,  
9 financial statements and other information that is obtained from a  
10 professional employer organization under this article by the secretary of  
11 state are confidential and are not subject to inspection pursuant to title  
12 39, chapter 1, article 2.

13 D. IF THE STATEMENT PROVIDED UNDER SUBSECTION B, PARAGRAPH 6 INDICATES  
14 THAT ANY PERSON SERVING AS MANAGEMENT OF THE PROFESSIONAL EMPLOYER  
15 ORGANIZATION HAS BEEN CONVICTED OF A FELONY, THE SECRETARY OF STATE SHALL  
16 DENY THE APPLICATION FOR REGISTRATION.

17 Sec. 2. Section 23-565, Arizona Revised Statutes, is amended to read:

18 23-565. Renewal registration; fee

19 Within one hundred ~~twenty~~ EIGHTY days of a registrant's completed  
20 fiscal year, each registrant shall file a renewal registration with the  
21 secretary of state. The renewal registration shall include any changes to  
22 the information that was filed in the registrant's most recent registration.  
23 Each professional employer organization shall pay a renewal registration fee  
24 established by the secretary of state when the renewal registration is filed  
25 with the secretary of state. Each renewal registration shall include the  
26 information required under section 23-563, subsection B, paragraphs 7, 8  
27 and 9.

28 Sec. 3. Section 23-567, Arizona Revised Statutes, is amended to read:

29 23-567. Limited registration; fee

30 A. Notwithstanding section 23-564 or 23-565, a professional employer  
31 organization may file a limited registration with the secretary of state on a  
32 form prescribed by the secretary of state if all of the following apply:

33 1. The professional employer organization is domiciled outside of this  
34 state and is licensed or registered as a professional employer organization  
35 in another state that has requirements that are substantially similar to the  
36 requirements under this article.

37 2. The professional employer organization does not maintain an office  
38 in this state.

39 3. The professional employer organization does not directly solicit  
40 clients located or domiciled in this state.

41 4. The professional employer organization does not have more than  
42 fifty covered employees who are employed or domiciled in this state on any  
43 given day.

44 B. A limited registration shall be valid for one year and shall be  
45 renewed annually within one hundred ~~twenty~~ EIGHTY days of a registrant's

1 completed fiscal year. Each professional employer organization shall pay a  
2 limited registration fee established by the secretary of state when the  
3 limited registration is filed or renewed with the secretary of state.

4 C. If a professional employer organization seeks to file a limited  
5 registration with the secretary of state, the professional employer  
6 organization shall provide the secretary of state with sufficient information  
7 and documentation that indicates that the professional employer organization  
8 qualifies for a limited registration.

9 Sec. 4. Section 23-568, Arizona Revised Statutes, is amended to read:  
10 23-568. Alternative registration; fee

11 A. The secretary of state may establish by rule an alternative  
12 registration that accepts an affidavit or certification of a bonded,  
13 independent and qualified assurance organization that certifies the  
14 qualifications of a professional employer organization under ~~sections~~ SECTION  
15 23-564, 23-565 or 23-566. The secretary of state shall approve any bonded,  
16 independent and qualified assurance organization that issues an affidavit or  
17 certification under this subsection.

18 B. An alternative registration is valid for one year and shall be  
19 renewed annually within one hundred ~~twenty~~ EIGHTY days of a registrant's  
20 completed fiscal year. Each professional employer organization shall pay an  
21 alternative registration fee established by the secretary of state when the  
22 alternative registration is filed or renewed with the secretary of state.

APPROVED BY THE GOVERNOR APRIL 10, 2006.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 10, 2006.